

# Our experience in France running RCTs

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## Our experience in France with RCT

- We have a long experience to run randomized control trials in France
- A team of researchers strongly involved in such activities in France for more than 15 years

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- Many topics: youth employment, education, health, housing,...

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## Our experience in France with RCT

- There has been several factors explaining that
- J-Pal Europe created by Esther Duflo in 2008 is hosted at Paris School of Economics
  - There is there an infrastructure helping running randomized control trials
- We also have had several strong partners
  - The Fonds d'Experimentation de la Jeunesse created by Martin Hirsh
    - Try new programs designed to address youth integration problems but also to learn about their effectiveness
  - The Public Employment Service in France: Pole employ
- I will focus on our experience working with the Public Employment Service
  - I will first give some examples of randomized control trials that we have conducted with the public employment service
  - I will address a few questions that might be of general interest

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## Public versus private providers of job-search assistance programs

- The PES has been for long the unique provider of job-search assistance programs
- Starting 2005 the question of the entry of private providers on the market was on the table
- This is certainly a question for which stereotypes are strong
  - For many the PES job-search assistance programs were considered as ineffective, outdated and a source of waste
  - For others the market cannot give the right incentives for such services for which the quality is unobserved
- It was proposed to run a RCT to know which job-search assistance program had the strongest impact on the employment rate
- Only a RCT can provide evidence that can be considered in front of such strong stereotypes
- Results?
  - Many expected that the private program will outperform the public program
  - It was actually the opposite: only the public program had a significant impact on the employment program
- This is a finding that has been then confirmed by many other RCTs in several European countries

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## Displacement effects

- Another question on the table was about **displacement** effects
- This is a very interesting research question: it has been around for long
- But also a policy question:
  - It was actually asked to us by people from the Ministry of labor
- The issue is whether when you assist one jobseekers there are potential negative effect on other jobseekers who do not receive job-search assistance
- We designed a sophisticated RCT tailored to address this question
- We found that indeed when the labor market is weak (many jobseekers for a few vacancies) displacement effects offset almost completely the positive impact on participants
- There are obviously strong implications for the design of employment policies
  - They do not appear as a way to solve the unemployment problem
  - Rather a way to redistribute the unemployment burden

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## Assisting firms in their hiring process

- When the labor market is weak, why not assisting firms in their hiring process so as to sustain **labor demand**?
- The PES revamped its supply of services to assist firms in their hiring process
- We run a RCT in which a random set of firms were prospected and offered these new services
- The findings are illuminating
  - Many firms posted vacancies with the PES
  - Using administrative data we also observed that they increased their hires in open ended contracts
  - Digging further we have found that absent the program many firms do not post vacancies, especially for low skill positions, because they fear to receive many applications that will generate large selection costs
- There has been many studies showing that signaling skills might give an advantage to jobseekers
- The findings in this study provide evidence that firms' demand for productivity signals goes even further
  - When offered services guaranteeing that they will have access to a restricted pool of candidates matching their expectations, they post more vacancies and increase overall hiring

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## Conclusions from these RCTs

- We were able to answer important questions regarding the labor market using RCTs
- These were policy questions but also important research questions
- On both sides, it is important to provide evidence so that the debate focuses on outcomes, not methods, and is not hampered by doubts about the validity of the results
- What I like with these three studies is also the continuity in the questions addressed
  - It represents the evolution of the questions and the discussions between researchers and organizations such as the PES
- This is certainly an important aspect: organizing a strong and productive debate between researchers and organizations such as PES
- Most of the time our work has evolved from learning whether or not a program “works” to understanding the needs, designing interventions, thinking about the potential effects and **then** testing
  - What we call **the learning cycle**

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## Ethical questions

- RCTs are criticized because they might not be ethical
- In the mind of many randomization is the problem
- It is important to emphasize that there are strong guidelines
- There are rules that have been developed, mostly in the US
- There are external examinations called **IRB procedures** in which important ethical questions are reviewed by an external committee
- In order to get the IRB approval PIs must have completed a training on ethical questions within the last two years
- For researcher it is very difficult/impossible to publish a paper without such IRB approval

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## Ethical questions

- Although randomization can be an issue in the IRB procedure, this is not by far the most important question
- The most important question is related to **doing something new** which effects are **unknown** with human subjects
- As with new medical treatments, a new program may carry some risk.
  - What is needed is to **identify potential harms**, adjust the intervention so as to **limit potential harms** and then to **fully inform** individuals about these risks
- For example we wanted to run an experiment in which we communicate to a random set of jobseekers their probability to find a job within one year (estimated using ML algorithms):
  - the IRB committee asked us to adjust the treatment so that individuals with a very low probability cannot be harmed by a “bad news”
- Worth to recognize that to some extent any new program could be seen as potentially raising ethical questions even in the absence of a randomized control trial

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## RCTs are costly

- There are several notions of cost
- The “direct” cost: hiring research assistants, collecting data
  - This cost is actually the same for RCTs and non RCT evaluation. Moreover, using administrative data can strongly reduce this cost
  - It is very small compared to the cost of programs
- There is also **the cost of having some people assigned to a control group**
- This is the statistical notion of **regret**
- Actually we don’t know in advance which is the best program:
  - the new one (treatment group) or the old one (control group)
- If we knew we would certainly not run a randomized control trial
- Assigning 50% of individuals to treatment and control groups for sometimes and then scaling up the best intervention **reduces this statistical regret** and the cost associated compared to the situation in which nobody/everybody receive the new/old intervention forever
- From this perspective what is costly is to not running a RCT: RCTs reduce the regret

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## RCTs are effective tools to innovate

- Organizations have to constantly innovate
- New challenges come every day – opportunities for improvements as well
- How to address these new challenges? - how to be sure that these promising new opportunities are indeed opportunities and not dead ends
- There is a need to **design innovative interventions**
- Think about AI:
  - on one side this is seen as a very promising tool that will help reduce a lot of frictions in the labor market
  - On the other side it is also seen as raising a lot of questions, for example related to fairness
- There is a need to **test rigorously innovative interventions**
  - RCTs are a **key step** in this process
- We have created a partnership with the PES so as to
  - Develop new interventions based on AI, for example recommendation algorithms (we partner for that with data scientists)
  - Test these algorithms using RCTs

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This is what I wanted to share with you

Thank you!

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